

Update

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Creditable coverage notices: CMS revises for Rx benefits

Summary

Employers providing prescription drug coverage to Medicare Part-D-eligible individuals should review their creditable coverage notices in light of new guidance that took effect May 15. In publishing the revised guidance, the Centers for Medicare and Medicaid Services (CMS) also updated two general model notices – one for creditable coverage, the other for non-creditable coverage – and issued a new personalized model notice. Although use of the CMS models is not mandatory, plan sponsors should make sure their own notices reflect the latest guidance.

Background on creditable coverage notices

If you sponsor a group health plan offering prescription drug coverage, you must provide notices of creditable coverage to covered employees, retirees and dependents – including COBRA beneficiaries – who are eligible for prescription drug coverage under Medicare Part D. Eligible individuals include those who are covered by Medicare Part A or Part B because of age, disability or end-stage renal disease.

The notices clarify whether your group health plan's drug coverage is creditable – or at least as good as standard Medicare Part D prescription benefits. The goal is to help individuals eligible for Part D decide whether to keep employer-sponsored drug coverage or enroll in the Medicare prescription drug program. Anyone who lacks creditable coverage but does not sign up for Medicare Part D when first eligible must pay higher Part D premiums to enroll later. But the higher premiums do not apply to individuals with creditable coverage who delay Part D enrollment.

When and how to provide creditable coverage notices

You must provide these notices to eligible individuals:

- every year before the November 15 start of the Part D annual open enrollment period,
- before an individual's initial Part D enrollment period on first becoming eligible for Medicare prescription drug benefits,
- before the effective date of coverage when a Medicare-eligible individual first enrolls in your plan,
- whenever prescription drug coverage under your plan is terminated,
- after any change in your plan's creditable status and
- on an individual's request.

The CMS guidance clarifies that you can satisfy the first two requirements by simply providing annual notices to all employees and retirees, such as including the notice with annual enrollment or renewal materials. If an employee and a spouse or dependent living at the same address are Medicare-eligible and have the same coverage under your plan, you can send just one notice to the family's residence rather than separate notices to each person.

Changes made to existing model notices

Along with updating its guidance, CMS revised its model notices of creditable and non-creditable coverage. The revised notices eliminate references to the Part D initial enrollment period, which ended May 15.

For plan sponsors that prefer to prepare their own notices rather than use the models, the CMS guidance highlights key points to include and gives suggested language. The guidance and model notices are available on the CMS website at: www.cms.hhs.gov/CreditableCoverage/02_CCAfterMay15.asp.

New personalized model notice

CMS has developed a new personalized model notice as a supplement or alternative to the general notices of creditable and non-creditable coverage. If you want to develop your own version of a personalized notice, it should include:

- the name of the Part-D-eligible individual,
- the individual's Social Security number or Medicare health insurance claim number,
- the employer or union's name and contact information,
- a statement that the employer or union determined the coverage to be creditable or non-creditable and
- the dates during which the individual had creditable coverage.

For additional information, please contact your Mercer consultant.

*This **Update** is for information only and does not constitute legal advice; consult with legal and tax advisers before applying this information to your situation.*

Simplified determinations and ‘integrated plans’

The CMS guidance also clarifies which integrated plans – ones combining prescription drug benefits with medical, dental, vision or other coverage – can use the simplified method for determining creditable coverage status. This method, which does not require an actuarial attestation, streamlines creditable coverage determinations for plan sponsors that decide not to receive the retiree drug subsidy (or elect it only for some benefit options).

Under the CMS guidance, a plan sponsor can use the simplified determination method if, for all plan benefits, an integrated plan has a combined plan-year deductible, annual benefit maximum and lifetime benefit maximum.

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